

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

FIRST-CLASS MAIL AND PERIODICALS  
SERVICE STANDARD CHANGES, 2021

Docket No. N2021-1

**RESPONSES OF THE UNITED STATES POSTAL SERVICE WITNESS  
THOMAS THRESS (USPS-T-5) TO INTERROGATORIES OF  
NATIONAL POSTAL POLICY COUNCIL NPPC/USPS-T4-1 THROUGH 3  
(May 26, 2021)**

The United States Postal Service hereby provides the response of witness Thomas Thress to the above-listed interrogatories. Each interrogatory is stated verbatim and followed by the response. The remaining interrogatory has been redirected to witness Robert Cintron.

The Postal Service believes that NPPC has exceeded the limit on interrogatories set forth in Rule 3020.117(a), pursuant to federal case law adopted by the Commission. Order No. 2080, Order Adopting Amended Rules of Procedure for Nature of Service Proceedings under 39 U.S.C. 3661 (May 20, 2014), at 44. Nevertheless, the Postal Service has chosen to respond to these interrogatories in lieu of filing a motion to be excused from doing so on numerosity grounds. The Postal Service's choice to accommodate NPPC in this specific instance should not be construed as a waiver of the Postal Service's right to seek excusal from any further interrogatories by NPPC on numerosity or other grounds, or from any arguably excessive interrogatories by any other party in any other instance.

Respectfully submitted,  
UNITED STATES POSTAL SERVICE

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## **RESPONSES OF USPS WITNESS THRESS TO INTERROGATORIES OF NPPC**

**NPPC/USPS-T5-1.** Please refer to the “Sources of Change” table presented at page 21 of your testimony. That table indicates that electronic diversion accounts for more of the change in First-Class Workshare volume than does average days of service.

Assume that slower or inconsistent delivery could be a reason driving First-Class Presort mailers’ migration to electronic alternatives. (That is, a repeated failure to achieve delivery standards might cause a mailer to increase conversion to electronic alternatives.) Would your model pick up this phenomenon in the electronic diversion factor or in the average days of delivery factor?

### **RESPONSE:**

It is true that it can be difficult to separately estimate the impact of two explanatory variables which tend to change simultaneously over time. In this case, however, the average days to delivery variable follows a meaningfully different pattern from the time trends which are included in my models to capture on-going mail diversion.

Given the relative stability of the average delivery variable associated with First-Class Presort Mail (see page 8 of my testimony), I am not sure what you mean by “slower or inconsistent delivery” over the sample period over which I have estimated my equations.

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NPPC**

**NPPC/USPS-T5-2.** Does the model indicate how much of the shift from First-Class Presort Mail to electronic delivery has been caused by mailers' dissatisfaction with delivery speed? If so, please explain where the model does so.

**RESPONSE:**

Please see my response to NPPC/USPS-T5-1.

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**NPPC/USPS-T5-3.** The following chart compares the price elasticity of First-Class Presort Mail in FY2020 as presented in the Postal Service's econometric demand model filed in January 2021 (column 1) with the price elasticity presented in this case, which includes the average delivery factor (right column).

### Comparison of First-Class Mail Elasticities

Product	FY 2020	N2021-1 Avg. Delivery Added
Single-Piece Letters	-0.148	-0.173
Single-Piece Cards	-0.373	-0.364
Single-Piece Flats	-0.248	-0.199
Workshare Letters	-0.231	-0.255
Workshare Cards	-0.413	-0.485
Workshare Flats	-0.319	-0.374

- Please confirm that the price elasticities presented in columns 1 and 2 are correctly copied from their respective sources.
- Please confirm that the price elasticities in the econometric demand model filed in January 2021 served as the baseline for your calculations presented in this case. If you cannot confirm, please explain.
- Please confirm that for Single-Piece Letters, Workshare Letters, Workshare Cards, and Workshare Flats, the price elasticities increased when the factor for average days of delivery was included. If you cannot confirm, please explain why not.
- Please explain, to the best of your understanding, why the price elasticity of the four products in (c) would increase when a factor for average days of delivery is included.

### RESPONSE:

- Confirmed.
- Confirmed.
- Confirmed.
- Mathematically, the addition of a new explanatory variable will affect the estimated coefficient on an existing variable to the extent to which the two variables are correlated. In this case, none of the differences in own-price elasticity are significant in either a statistical or a practical sense. In fact,

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all of the differences in the own-price elasticity estimates shown here are less than one-half the standard error of the elasticity estimates and the fact that four of the six changes are in the same direction is unremarkable.